

REPLY BRIEF OF
FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

D.T.E. 02-84

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I. INTRODUCTION

On April 22, 2003, Fitchburg Gas and Electric Light Company ("FG&E") submitted its initial brief in this proceeding to the Department of Telecommunications and Energy (the "Department"). In his April 29, 2003, brief, the Attorney General contests only three issues in FG&E's filing, to which FG&E responds in this reply brief.

II. ARGUMENT

A. Transition Charge

In support of his position that FG&E should reconcile transition revenues on a class-specific basis, the Attorney General argues that FG&E "projects a \$450,000 discrepancy in favor of the G-3 class for the 2003 uniform transition charge ("UTC") revenues". AG Brief at 1. First, the forecasted difference between the uniform transition charge ("UTC") revenue and the G-3 class revenues is only \$67,000, not \$450,000. In addition, FG&E has provided several sound reasons why a class-specific adjustment would not be appropriate.

FG&E has explained that the \$450,000 figure cited by the Attorney General is inaccurate and should be reduced to \$67,000. In a post-hearing motion still pending before the Department, FG&E stated that the forecasted load factor attributed to the G-3 class that resulted in an apparent discrepancy of \$450,000 was erroneous because the forecasted load for the G-3 class did not reflect the entire class. See FG&E's Motion to Admit Post-Hearing Evidence, pp. 2-3. To ensure that the Department would make its determination based on a complete and accurate record, FG&E submitted revised schedules with its motion to introduce the correct forecasted discrepancy of \$67,000. Exh. Supplemental Schedules.¹

¹ To address the Attorney General's concern that the corrected \$67,000 figure and the revised schedules are unsupported by sworn testimony, FG&E is providing with this reply brief an Affidavit of Mark H. Collin which explains the error

The accuracy of the discrepancy notwithstanding, the Attorney General also disregards Mr. Collin's testimony on cross examination concerning the inappropriateness of a class-specific reconciling mechanism. Tr. 4/7/03 at 29-31. For the following reasons, Mr. Collin stated that no additional mechanism is needed because the current reconciliation mechanism provides a fair and equitable result for all customer classes. Id. at 31. First, Mr. Collin explained that the calculation of the UTC is already constrained by the 15 percent rate cap. Due to the difficulty in assigning costs precisely to each class, in order to achieve a uniform charge and to ensure that every customer class receives at least the 15 percent discount, certain classes receive more than 15 percent. Thus, because of these rate design constraints, it would be difficult to design a new reconciliation mechanism that would achieve perfect equity in terms of a uniform charge.

In addition, in considering such a class-specific reconciliation mechanism, FG&E reviewed its 2002 actual revenue data. See Tr. 4/7/02 at 29-30. Mr. Collin explained that for those classes that have a kilowatthour rate structure with no demand component, there was a *de minimis* variance which is attributable to minor billing and accounting adjustments that occur during the year. Larger classes that have a demand component may be affected when the load factor changes relative to the test-year, however FG&E believes that over time balance will be achieved. Id. In fact, in 2002, Mr. Collin testified that a balance occurred across the total general service class, in that there was no major variance due to 2002 billing determinants relative to 2001 test-year billing determinants. Id. In 2002, FG&E was within \$10,000 of its total transition charge revenue calculated on a uniform basis. Id.

Finally, requiring the Company to perform another reconciliation adjustment, in addition to the numerous reconciliation adjustments already involved in the filing would layer more administrative costs on the process, and would make an already complex filing more

complicated and difficult to review. Tr. 4/7/03 at 31. Accordingly, FG&E urges the Department to reject the Attorney General's recommendation.

B. Cash Working Capital Requirement

The Attorney General argues that FG&E has miscalculated its cash working capital requirement for purchased power costs, and he attributes FG&E's alleged error "to a one-day difference (*e.g.*, 39 days versus 40 days) in the Company's lead payment calculation". AG Brief at 2. The Attorney General is incorrect, because as Mr. Collin explained, FG&E does not include in the calculation of the lead in purchased power expense the day that payment is made to a vendor. Tr. 4/7/03 at 43. Although the Attorney General was not interested in Mr. Collin's explanation, Mr. Collin had an opportunity to explain the one-day timing difference during the Department's examination. As Mr. Collin stated, the day payment is made to a vendor, the funds are not available for FG&E's use. Id. Therefore, for purposes of the lead payment calculation, as FG&E does not have use of the funds on the day the funds are paid to the vendor, the payment day is not included. Id.

C. Congestion Costs

The Attorney General asks the Department to disallow recovery through the External Transmission Charge ("ETC") of congestion charges based upon the argument that these charges should be borne by the supplier. AG Brief at 2-3. FG&E's congestion charges reflected on Sch. KMA-1, pp. 1-3 cited by the Attorney General total \$875,423. Included in this total are \$262,617 for 2001 costs, which the Attorney General has already settled and the Department approved through September 2001.

In support of his position, the Attorney General relies upon fragments of FG&E's standard transition service supply contract which he asked Mr. Collin to read into the record, and

later cited out of context in his brief. Tr. 4/7/02 at 36-37; Exh. Att. AG 3-6. In fact, the Attorney General was reluctant to permit Mr. Collin to provide a full explanation of the congestion costs for which the supplier is responsible under the contract, and the direct charges allocated to FG&E under the NEPOOL Open Access Tariff that are not allocable to the supplier. Tr. 4/7/02 at 38-39.

Pursuant to FG&E's standard transition service supply contract, read in its entirety, the congestion costs at issue in this proceeding are not Constellation's responsibility. Tr. 4/7/02 at 39-41. The supplier is responsible for congestion costs associated with their power from any location on the NEPOOL PTF, *i.e.* the Delivery Point, as defined in Section 6.1 of the Contract, and Flagg Pond. Exh. AG 3-6, Att at 5. As Mr. Collin explained, the congestion costs for which FG&E is seeking recovery from customers are a general allocation of New England congestion costs under the NEPOOL Open Access Tariff. Tr. 4/7/02 at 40-41. Under Section 6.1 of the Contract (Exh. AG 3-6), these general congestion costs would only be the supplier's responsibility if NEPOOL or ISO New England, Inc. (the "ISO") imposes the costs on the suppliers. However, under the definition of Standard Transition Service Power (STS Power) in the contract, FG&E, is clearly responsible for NEPOOL RNS, or regional network service, and for any congestion costs billed to FG&E as a transmission charge to network load. Exh. AG 3-6, Att. at 2-3. As the congestion charges the Attorney General seeks to exclude from the ETC are associated with the RNS service, the supplier has no responsibility for the costs.

Finally, FG&E's proposed treatment and rate recovery of these congestion costs have been accepted by both the Department and the Attorney General in prior filings. Tr. 4/7/02 at 74-75. In fact, in D.T.E. 01-103, the Attorney General has already settled these costs through September 2001. Moreover, shifting these congestion costs to the supplier would be interpreted

by suppliers as bad faith on FG&E's part, because it is inconsistent with past practice, as well as a breach of the terms of the contract. Accordingly, FG&E urges the Department to approve recovery of these congestion charges as proposed in FG&E's filing.

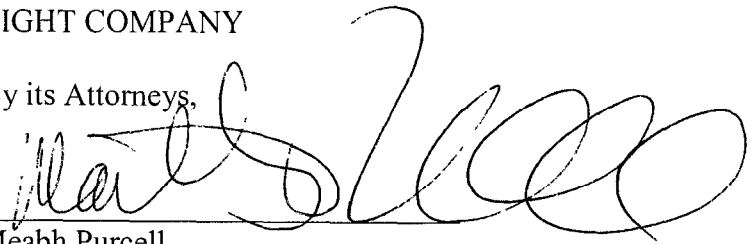
III. CONCLUSION

WHEREFORE, for all of the reasons set forth in FG&E's initial brief and in this reply brief, FG&E respectfully requests that the Department approve FG&E's 2003 Electric Reconciliation Mechanisms and Inflation Adjustment.

Respectfully submitted,

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